

**APPROVED MINUTES
TIMBER ADVISORY COMMITTEE
MAY 24, 2006 MEETING**

The meeting was called to order by David J. Gau, Chairman, at 9:30 a.m., Room 122, State Board of Equalization (BOE), 450 N Street, Sacramento, California, with the following in attendance. A quorum was present.

**TIMBER ADVISORY
COMMITTEE (TAC) MEMBER**

David J. Gau, Chair
Gerald D. Cochran, Vice-Chair/Secretary
Tim Holcomb
Marsha Wharff
Cris Andrews
Roy H. Richards, Jr.
Marty Olhiser (via telephone)
Chris Zimny

REPRESENTING

BOE
Assessor, Del Norte County
Assessor, El Dorado County
Assessor/Recorder/Clerk, Mendocino County
Assessor/Recorder, Shasta County
Small-Scale Timber Owners
Large-Scale Timber Owners
CA Dept. of Forestry and Fire Protection

OTHERS IN ATTENDANCE

Tom Hudson
Steven Kamp
Jim Herd
Linda Hill
John Davis
Jim Lehnus
Len Lindstrand
Chris Freeman
Dana Flanagan-McBeth
Tim Treichelt
Mickie Stuckey
Benjamin Tang
Mitchell Cari
Larry Fogerson
Mike Doyich
George Felix
Alicia Ynostroza

REPRESENTING

Board Member Bill Leonard's Office
Acting Board Member Betty Yee's Office
Acting Board Member Betty Yee's Office
Assessor, Humboldt County
Green Diamond Resources Co.
Green Diamond Resources Co.
Wm Beaty & Assoc.
PALCO
BOE, Legal Department
BOE, Legal Department
BOE, County Property Tax Division (CPTD)
BOE, CPTD, Timber Tax Section
BOE, CPTD, Timber Tax Section
BOE, CPTD, Timber Tax Section
BOE, CPTD, Timber Tax Section
BOE, CPTD, Timber Tax Section
BOE, CPTD, Timber Tax Section
BOE, CPTD, Timber Tax Section

1. Oath of Office

Mr. Ramon J. Hirsig, Executive Director of the BOE, administered the oath of office to all TAC members present and to Mr. Marty Olhiser, via telephone conference call (Mike Mallory, Assessor, Siskiyou County, was unable to attend the meeting).

2. Approval of November 9, 2005 Meeting Minutes

Cris Andrews moved to approve the minutes from the November 9, 2005 meeting; Tim Holcomb seconded the motion, which then passed without objection.

3. Harvest Value Discussion for Period July 1, 2006 – December 31, 2006

a. Tables G & S — Green and Salvage Values Schedules

Benjamin Tang gave an overview of general trends in the timber market. Mitchell Cari provided staff's suggested changes to the April 24, 2006 suggested values for TVA 2S, reflecting the additional sales information received by staff. Mitchell Cari stated that the salvage values for TVA 2S would be revised, using 75% of the green values, if the proposed changes were approved by the TAC (later in the meeting, Mickie Stuckey provided the actual suggested calculated values for TVA 2S salvage values). Mickie Stuckey presented ranges of computed values for selected species from several TVAs. Len Lindstrand asked about the pine and fir values in TVA 6 and 7. Mitchell Cari responded that the suggested values were within the ranges of the various indicators for the more recent sales. Marsha Wharff moved to approve Tables G and S, as amended by BOE staff, for July 1, 2006 through December 31, 2006; Jerry Cochran seconded the motion, which then passed with a vote of five to three, with Roy Richards, Jr., Tim Holcomb, and Marty Olhiser objecting.

b. Table M — Modified Timber Harvest Values

Mitchell Cari introduced staff's suggested modified values schedules for 2004 fire-killed timber in TVA 8 effective for the period of July 1, 2006 through December 31, 2006. Roy Richards asked if anyone in the audience was familiar with the current status of the legal situation regarding the fire-damaged timber. Mike Doyich commented about the current conditions and future harvesting of the fire-damaged timber. Roy Richards asked about the difference between FS and MF in TVA 8. Mike Doyich explained that the FS was 75% of the green value; whereas, the MF was the actual appraised value of the fire-damaged timber. Jerry Cochran moved to approve the modified harvest values schedules for TVA 8 for July 1, 2006 through December 31, 2006; Roy Richards seconded the motion, which then passed without objection.

c. Table 1 — Miscellaneous Forest Products Harvest Values

Mitchell Cari provided a general overview of Table 1, Miscellaneous Harvest Values, and staff's suggested changes from the previous schedule. Roy Richards, Jr., moved to approve the suggested values for Table 1; Marsha Wharff seconded the motion, which then passed without objection.

d. Deductions

Mitchell Cari informed the TAC members that staff had reviewed all deductions included in the harvest values schedules. In recognition of increased fuel costs, among other things, staff recommended that the yarder/skyline deduction be increased from \$40 to \$50 and the helicopter deduction be increased from \$140 to \$180, with no other changes to

the other deductions. Jerry Cochran moved to adopt staff changes to the deductions; Cris Andrews seconded the motion, which was passed without objection. Chris Freeman and John Davis thanked staff for their effort in reflecting current cost differentials.

4. Other Business

a. 2005 Timber Harvest by County

Mickie Stuckey presented a summary of 2005 Timber Yield Tax reporting by county and a statewide summary of annual harvest for 1978 through 2005.

b. Fuel Hazard Reduction Costs

Benjamin Tang presented a staff analysis of 150-foot Hazard Tree Exemptions for two separate time frames. Chris Zimny responded that he believed Fuel Reduction operations include much more than just the 150-foot Hazard Tree Exemptions. After considerable discussion, it was decided that BOE staff would meet with CDF staff to further define Fuel Reductions operations. If there are changes in the definition, staff will complete a new analysis of the volume harvested and any costs and revenue impact associated with it, and will schedule the item for discussion at a future TAC meeting.

c. Small Sawlogs Miscellaneous (SSM) Category

Mitchell Cari discussed the continuing compliance issues that are the result of misapplication of the SSM category. Mitchell Cari explained that SSM has been the single largest source of tax change over the last several years. Staff continues to see confusion in the use of the SSM category by taxpayers, which results in substantial tax changes (both refunds and billings to taxpayers). He advised that staff is looking into the impact of possibly eliminating the SSM category from Table 1 and combining each species back into the size code 3 of each respective species on Tables G and S along with creating a deduction for operations harvested by mechanical harvesters. There was considerable discussion on how the term "mechanical harvester" would be defined and applied. Staff agreed to meet with industry representatives to try to arrive at a mutually agreed upon definition of "mechanical harvester." Staff will also be analyzing sales to determine possible changes to suggested values under each option being considered. This item will be brought back to the TAC on the November 9, 2006 agenda for further discussion.

d. Date for Next Meeting

The date for the next TAC meeting was tentatively set for November 9, 2006 at 1:30 p.m.

5. New Business

Roy Richards asked to discuss the appraisal of the South Cow 2 sale in the Latour State Forest (public information) to compare his appraisal analysis procedures with BOE appraisal analysis procedures. Roy Richards described his analysis and Mitchell Cari confirmed his process was similar to that used by BOE, although some of the numbers differed slightly.

6. Adjourn

David Gau adjourned the meeting at 11:30 a.m.